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Message Text

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73
ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAJ-01 AEC-11 AID-20 CEA-02 CIEP-02 COME-00

EB-11 FPC-01 INT-08 OMB-01 SAM-01 SCI-06 STR-08

TRSE-00 FRB-03 FEA-02 AGR-20 SWF-02 NIC-01 ACDA-19

DRC-01 /221 W
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R 181548Z JUL 74
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 923

C O N F I D E N T I A L MOSCOW 11128

E.O. 11652: GDS
TAGS: EGEN ETRD UR
SUBJECT: AMBASSADOR'S CALLS: N.K. BAYBAKOV

1. SUMMARY: CONVERSATION DURING 40-MINUTE INTRODUCTORY CALL ON GOSPLAN CHAIRMAN AND DEPUTY CHARIMAN COUNCIL OF MINISTERS NIKOLAY K. BAYBAKOB JULY 18 COVERED TOPICS FROM EXPANSION OF CHEMICAL INDUSTRY TO ENCAPSULATED TRANSPORT MODULES IN PNEUMATIC TUBES TO FUTURE GENERATIONS' JUDGMENTS OF PRESIDENT AND GENERAL SECRETARY. JOVIAL AND EXCEPTIONALLY FORTH-COMING, BAYBAKOV CONVEYED IMPRESSION THAT SOVIETS FULLY UNDERSTAND AND APPRECIATE ADMINISTRATION'S EFFORTS TO PASS TRADE BILL WITH ACCEPTABLE MFN PROVISION AND THAT WHILE SOVIET PLANNING PROCEDURES MAKE NECESSARY FIRM INDICATION OF AMERICAN READINESS TO TAKE PART IN SIBERIAN INDUSTRIALI-ZATION PROJECTS AS SOON AS POSSIBLE, MOSCOW AUTHORITIES ALSO ACCEPT FACT THAT US SIDE IS NOT YET IN POSITION TO PROVIDE ANSWERS TO OUTSTANDING QUESTIONS. END SUMMARY

2. IN REPLY TO MY COMMENT ABOUT HEAVY WORKLOAD HE MUST BE
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FACING AT THIS TIME, BAYBAKOV NOTED THAT HE HAD ALWAYS

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THOUGHT HE WAS WORKING HARD DURING THE FIFTEEN YEARS HE HAD SERVED AS MINISTER, BUT THEN FOUND HE ALWAYS HAD MUCH MORE TO DO IN TEN YEARS HE HAD BEEN SERVING AS HEAD OF STATE PLANNING COMMITTEE. HE STATED THAT THE 1975 PLAN MUST BE COMPLETED BY AUGUST 15 AND THAT THE 15-YEAR PLAN, 1976-1990, WILL BE FINISHED NOVEMBER 15. THE BUDGET PLANNING PROCESS HAS NOW REACHED THE POINT AT WHICH HE MUST PERSONALLY INTERVENE TO RESOLVE CONFLICTS BETWEEN INDIVIDUAL MINISTRY AMBITIONS. HE JOKINGLY COMPLAINED THAT HE HAD JUST FINISHED A MEETING WITH THE CHEMICAL INDUSTRY MINISTRY, "WHICH IS ASKING FOR TWICE AS MUCH AS IT CAN SPEND EFFICIENTLY." THE PROBLEM, HE REMARKED, IS RISING (FOREIGN EXCHANGE) COSTS: "EVEN WITH HAMMER, WE WERE PLANNING ON 300 MILLION RUBLES, BUT THE PROJECT WILL COST TWICE AS MUCH. BUT WHAT CAN ONE DO? YOU ARE FORTUNATE THAT PERHAPS 90 PERCENT OF YOUR ARABLE LAND LIES IN THE TEMPERATE ZONE, WHILE SCARCELY HALF OF OURS DOES. AND GIVEN THE IMPORTANCE OF AGRICULTURE TO THE SOVIET UNION, WE MUST PRODUCE VAST QUANTITIES OF MINERAL FERTILIZER. WE WILL BE USING 90 MILLION TONS NEXT YEAR, BUT MINISTER KOSTANDOV WANTS TO RAISE THIS QUANTITY TO 150-MILLION-TON LEVEL DURING NEXT FIVE YEAR PLAN."

3. TO MY REMARK THAT ENERGY CONSUMING INDUSTRIES WOULD ALSO REQUIRE MASSIVE INVESTMENTS IN NEAR FUTURE, BAYBAKOV RESPONDED THAT THESE WOULD COST EVEN MORE BECAUSE ALL NEW INDUSTRIES REQUIRING HEAVY ENERGY INPUTS WOULD BE LOCATED BEYOND URALS: "IT IS MUCH MORE EXPENSIVE, BUT THAT IS WHERE THE ENERGY SOURCES LIE. MAIN ADDITIONAL COST FACTOR IS LABOR. FOR EXAMPLE, WORKERS IN TYUMEN' OIL FIELDS RECEIVE PAY 70 PERCENT HIGHER THAN SIMILAR LABORERS IN EUROPEAN AREAS. WE MUST PAY THIS PREMIUM TO INDUCE THEM TO LIVE IN SIBERIA, AND WE ARE READY TO DO SO."

4. IN REFERENCE TO KAISER INDUSTRIES PROPOSALS FOR ALUMINUM COMPLEX, AFTER PRAISE OF EDGAR KAISER BY DEPUTY GOSPLAN CHAIRMAN NICOLAY P. LEBEDINSKIY, ONLY OTHER SOVIET PRESENT, BAYBAKOV CONFIRMED THAT SOVIETS WILL NOT BE IN POSITION SIT DOWN FOR SERIOUS NEGOTIATION BEFORE FALL, CONCLUDING DISCUSSION WITH COMMENT THAT WHAT MATTERS IS NOT INTERNAL CONFIDENTIAL

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PROBLEMS EACH SIDE FACES IN LAYING GROUNDWORK FOR COOPERATION, BUT FACT THAT THIS IS BEING DONE AND WE ARE CONTINUING TO PLAN BUILDING THE FUTURE TOGETHER. HE REPLIED TO MY OBSERVATION ON VALUE OF NEW TEN-YEAR AGREEMENT FOR THIS PURPOSE BY CONCURRING EMPHATICALLY: "WHAT WE NEED TO DO IS COORDINATE JOINT PROJECTS IN SUCH A WAY THAT SOVIET SIDE CAN RESERVE DOMESTIC RESOURCES NECESSARY TO SUPPORT PROJECTS. I HAVE JUST LOOKED OVER YAKUTIA PROPOSALS.

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LATEST DATA FROM OUR GEOLOGISTS INDICATE THERE IS AT
LEAST TWICE AS MUCH GAS AS WE HAD ANTICIPATED--SUFFICIENT
TO PERMIT EXTRACTION OF 20 BILLION CUBIC METERS PER YEAR
FOR EXPORT AND AN EQUAL AMOUNT FOR DOMESTIC USE."

5. NOTING THAT SOVIETS HAD ALREADY REACHED GENERAL AGREE-
MENT WITH JAPANESE ON FURTHER EXPLORATION NECESSARY FOR
PROJECT, BAYBAKOV ASKED MY VIEWS ON U.S. INTENTIONS. I
MENTIONED THAT WE HAVE STILL TO FIX OUR OWN PLANS ON FUTURE
ENERGY MATTERS. WE ARE COMMITTED TO PROJECT INDEPENDENCE,
BUT DO NOT YET HAVE FIRM CONCENSUS ON WHETHER GOAL
SHOULD BE 100 PERCENT INDEPENDENCE OR SOME LESSER PERCENTAGE.

6. BAYBAKOV NEXT RAISED PENDING TRADE BILL, REMARKING THAT
SOVIETS SENSE "A SOMEWHAT WARMER BREEZE IS BLOWING NOW." I
SAID THAT FROM THIS DISTANCE IT IS A LITTLE DIFFICULT TO
PREDICT THE WEATHER IN WASHINGTON, BUT THAT CERTAINLY
ADMINISTRATION IS WORKING HARD TO FIND WAYS OF ACCOMMODATING
VIEWS OF ALL PARTIES AND TO GET ACCEPTABLE BILL THROUGH
CONGRESS. BAYBAKOV NOTED THAT SOVIETS HAD TRIED TO BE UNDER-
STANDING AND ARE WILLING TO EXERCISE WHATEVER PATIENCE MAY
BE NECESSARY, BUT THAT MFN IF ESSENTIAL TO LONG-RANGE
FUTURE OF DETENTE "AND I THINK SERIOUS PEOPLE ALL FEEL THIS."
RECOGNIZING THAT EVEN IF ALREADY PASSED MFN WOULD HAVE HAD
NO IMPORTANT PRACTICAL IMPACT ON BILATERAL TRADE TO THIS
POINT, HE STATED THAT SOVIET PLANS TO BALANCE TRADE ACCOUNT
IN FUTURE RELY HEAVILY ON MANUFACTURES PRESENTLY SUBJECT TO
HIGH U.S. DUTY UNDER CURRENT LAW.

7. TO MY COMMENT THAT WE HAD ALREADY MADE CONSIDERABLE
PROGRESS TOGETHER, BAYBAKOV ASSENTED VIGOROUSLY. HE CLAIMED
MUCH HAS INDEED BEEN ACHIEVED, NOTING INTER ALIA THAT I WAS
FIRST U.S. AMBASSADOR TO CALL ON HIM. REFERRING TO RECENT
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SUMMIT, HE ASKED WHAT IMPACT IT HAD ON PRESIDENT'S DOMESTIC
SITUATION. I REPLIED THAT EFFECT HAD TO BE POSITIVE ONE.
BAYBAKOV THEN REMARKED HE THOUGHT THAT HISTORY WILL
SHOW PRESIDENT TO BE ONE OF MOST EFFECTIVE AND MOST ENTER-
PRISING CHIEF EXECUTIVES, PARTICULARLY IN FOREIGN POLICY
AREA: "IT SEEMS TO US ALSO THAT AMERICAN PEOPLE ACCEPT IDEA
OF DETENTE WITH SATISFACTION. CERTAINLY ON OUR SIDE WE
ARE FED UP WITH INCREASING COSTS OF ARMAMENTS, AND I THINK
OUR DESCENDANTS WILL THANK PRESIDENT NIXON AND GENERAL
SECRETARY BREZHNEV FOR CREATING CONDITIONS WHICH WILL PERMIT
US TO BUILD PEACEFUL LIFE TOGETHER".

8. REITERATING THAT HE AND GOSPLAN COLLEAGUES WERE
ESPECIALLY AWARE OF HOW MUCH THERE IS TO DO IN FUTURE,
BAYBAKOV STATED THAT MOST PRESSING PROBLEM IS TRANSPORT--

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TRUCKS, ROADS, RAILROAD AND EVERY OTHER MEANS. HE CLAIMED JAPANESE HAD JUST BOUGHT FROM SOVIETS TECHNOLOGY FOR NEW TYPE OF CAPSULE CONVEYOR. CONCEIVED AS LIGHT TRUCK BED ENCLOSED WITHIN PNEUMATIC TUBE, THIS TRANSPORT SYSTEM IS SEEN BY SOVIETS AS PARTICULARLY SUITABLE FOR MOVING RAW MATERIALS: "WE ARE THINKING OF SHIPPING COAL BY THIS MEANS FROM TYUMEN' AREA, AND AT PRESENT WE ARE BUILDING ONE-KILOMETER-LONG TEST MODEL IN LENINGRAD AND ANOTHER IN MOSCOW."

9. WE PARTED ON UNUSUALLY WARM NOTE WITH MUTUAL COMPLIMENTS AND EXPRESSED INTEREST TO KEEP IN CLOSE TOUCH. STOESSEL

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